

MOTION BY SUPERVISOR DON KNABE

June 18, 2013

Marina del Rey is a regional asset, a place where all residents of Los Angeles County visit to walk, jog, bike, sail, paddle, catch a concert, grab a bite to eat, and enjoy all that the County has to offer. It is the Crown Jewel of LA County, but one that has needed some polishing in recent years as leaseholds came to the end of their useful lives and adjacent areas have been developed to draw residents and visitors away.

Today, with the Coastal Commission's approval of a new Local Coastal Plan and a slow but steadily recovering economy, the revitalization of Marina del Rey has begun. The lessees in Marina del Rey are investing hundreds of millions to improve their properties for the next generation of development. In fact, the Board has already approved several redevelopment deals where the lessees will be investing over \$450 million, and an additional \$290 million of lessee reinvestment projects is currently under negotiation, bringing the total lessee investment close to three-quarters of a billion dollars.

- MORE -

MOTION

MOLINA _____

YAROSLAVSKY _____

KNABE _____

ANTONOVICH _____

RIDLEY-THOMAS _____

At the same time, this Board has approved various Marina del Rey infrastructure and capital improvement projects costing several million dollars. For instance, in April, the Board approved the Marina del Rey Seawall Refurbishment Program Project at the estimated cost of \$7.5 million, and in the prior month, the replacement and reconfiguration of the Burton Chace Park transient docks at the estimated cost of \$7.4 million. However, the annual contribution to the Marina Accumulative Capital Outlay (ACO) Fund is presently only \$2 million, half of which depends upon meeting Marina revenue targets.

Few can argue the importance of these projects which meet the basic needs of the Marina to function. However, the County has not gone above and beyond to provide the quality of life improvements that other communities have made a priority. We have done study after study, and put together working groups on how to improve our public areas, such as Yvonne Brathwaite Burke Park, Marina Beach, and Burton Chace Park, and we've identified a number of things in need of improvement, such as landscaping, signage, fencing, walking paths, play equipment, sun shelters, park equipment, bikeways, storage, and community meeting space, but no funding has been available for these items because there just isn't enough to go around after meeting the most basic of the Marina's infrastructure needs.

This needs to change. With the lessees investing hundreds of millions of dollars to revitalize the Marina, the County needs to do its part and reinvest in the public spaces in Marina del Rey by making a greater contribution to the Marina ACO Fund as evidence of its commitment to the Marina's continued viability and vitality. To do this, the Board should provide a greater allocation of one-time fees generated by Marina real estate transactions in the Marina, and a larger ongoing allocation to the Marina ACO fund.

As approved by the Board in 1989, the Marina lease extension policy includes a provision that requires County financial participation in the sale, assignment or refinancing of leasehold interests. Payments received in past years by the County due to this participation provision have ranged from \$879,000 to \$20 million. At times, the Department of Beaches and Harbors has received some of this one-time revenue back, but, in other instances, has received nothing. For instance, none of the \$20 million from a transfer of one residential leasehold in Fall 2007 went to the Department. However, in Fall 2012, the Department received the full \$879,000 transfer fee from another residential leasehold transfer. The Department also retained the full \$4.2 million from a 2005 transfer, which was used to purchase private leaseholds along the Chace Park Peninsula for public use.

This year's buyout of Archstone's interests in four Marina leaseholds has already resulted in a \$2.2 million payment to the County, with an additional \$13.4 million currently held in escrow pending resolution of the amount due pursuant to our Marina lease participation provision. This money will undoubtedly become "prior year revenue", given the lateness of its receipt and the inability, therefore, to spend the money this fiscal year. Therefore, I believe it would be appropriate for the entirety of the participation fees for the buyout of Archstone's leasehold interests to be used for Marina improvement purposes. Further, I believe the Board should commit to a certain percentage of all future participation fees to be directed to the Marina ACO Fund as well, recognizing the County's obligation to continue to maintain and improve the public areas of the Marina and its infrastructure. Having said this, I do believe the proceeds should remain in the Marina and be used by the Department of Beaches and Harbors for Marina infrastructure improvement, upgrade and repair, not on Department administration or operations.

- MORE -

The transfer or refinancing of Marina leaseholds is not something the County can rely on or in any way control, however. The 1989 Board-approved lease extension policy also included, therefore, the retention of 50% of the additional funds resulting from lease extensions for use in upgrading the physical infrastructure of the Marina. Arguably, this would include not only 50% of lease extension and option fees, but also 50% of rent revenue increases from extended leaseholds net of inflation and even 50% of transient occupancy tax increases from redeveloped Marina hotels. I believe, however, allocating 50% of all Marina revenue increases resulting from lease extensions would unduly hamper the Board from using its discretion on an annual basis to budget increased revenues as it sees fit. Nevertheless, I do believe we should preserve the spirit of the revenue-sharing provision, while also recognizing the age of the Marina and the likelihood of needing to spend an increasing amount of resources on its infrastructure and public area maintenance and improvement.

Therefore, I believe an additional \$2 million should be added to the existing annual contribution to the Marina ACO Fund to bring the total annual Marina ACO Fund allocation to \$4 million. Further, none of the current transient occupancy taxes earned in the Marina are returned there. A portion should be, I believe, specifically to support programs bringing visitors to the Marina, such as the highly successful Marina Summer Concert Series, the WaterBus, "Discover Marina del Rey Day", "Beach Eats!" and other current and future visitor-serving events/attractions/programs.

I, THEREFORE, MOVE THAT the Board of Supervisors instruct the Chief Executive Office and the Department of Beaches and Harbors to allocate the following payments to the Marina Accumulative Capital Outlay (ACO) Fund:

- MORE -

1. All participation fees ultimately paid to the County from the 2013 transfer of four Marina leaseholds due to the buyout of Archstone's leasehold interests;
2. The following percentage of future participation fees owed to the County due to the sale, assignment or refinancing of leasehold interests:
 - a. Participation fees up to \$1 million – 100%;
 - b. Participation fees from \$1 million to \$5 million – 50%;
 - c. Participation fees from \$5 million to \$10 million – 25%; and
 - d. Participation fees above \$10 million – 10%.
3. An additional \$2 million added to the Department of Beaches and Harbors annual net County cost as of Fiscal Year 2013-14 for a total ongoing annual contribution to the Marina ACO Fund of \$4 million.

FURTHER, I MOVE THAT THE BOARD OF SUPERVISORS instruct the Chief Executive Office and the Treasurer-Tax Collector to determine the annual increase in transient occupancy taxes collected from Marina del Rey hotels above and beyond such taxes received in Fiscal Year 2011-12 and allocate that increase on an annual basis to the Department of Beaches and Harbors for its use specifically in Marina visitor-serving events/attractions/programs.

FINALLY, I MOVE THAT THE BOARD OF SUPERVISORS instruct the Chief Executive Office and the Board's Executive Office to include as a standing item in each year's budget deliberations consideration of the additional Marina revenue resulting from Marina leasehold extensions above that allocated in the prior recommendations of this motion, as reported on by the Department of Beaches and Harbors, which will allow the Board to exercise its judgment in allocating these additional annual proceeds as it deems appropriate.

#